


**Government of the District of Columbia  
Office of the Chief Financial Officer**



**Natwar M. Gandhi**  
Chief Financial Officer

**MEMORANDUM**

**TO:** The Honorable Vincent C. Gray  
Chairman, Council of the District of Columbia

**FROM:** Natwar M. Gandhi  
Chief Financial Officer 

**DATE:** January 29, 2010

**SUBJECT:** Fiscal Impact Statement – “Small Business Stabilization and Job Creation Strategy Act of 2009”

**REFERENCE:** Bill Number 18-457 – Final Committee Print received on January 28, 2010

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*This document replaces the FIS issued by the OCFO on January 19, 2010 to reflect the changes in the final committee print.*

**Conclusion**

Funds are sufficient in the FY 2010 through FY 2013 budget and financial plan to implement the proposed legislation. The proposed legislation does not have an impact on the District’s budget and financial plan.

**Background**

The proposed legislation would amend the Small, Local, and Disadvantaged Business Enterprise Development and Assistance Act of 2005<sup>1</sup> to require the Department of Small and Local Business Development (DSLBD) to provide stabilization services to Certified Business Enterprises (CBEs), to establish a volunteer program for mentoring and networking, to develop a plan for using small business resources as a catalyst for job creation to provide procurement assistance, and to authorize the District of Columbia Small and Local Business Opportunity Commission (Commission) as the administrative hearing body for CBE certification violations,

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<sup>1</sup> D.C. Law 16-33; D.C. Official Code § 2-218.01 *et seq.*; by adding a new Subpart 3A (Stabilization and Job Creation Strategy) to Part D, which would consist of § 2365a (Services to Certified Business Enterprises), § 2365b (Establishment of the Volunteer Corp of Executives and Entrepreneurs), § 2365c (Management and Direction), and § 2365d (Procurement Training and Assistance).

which would also access penalties for violations. Specifically, the new sections proposed to be added to the D.C. Official Code would cover the following areas:

Services to Certified Business Enterprises:

The proposed legislation would require the DSLBD to provide the following services to CBEs in the District:

- Specialized programs to assist CBEs in securing capital and repairing damaged credit;
- Informational seminars on securing credit and loans; and
- Access to non-traditional financing sources, as well as traditional lending sources.

Additionally, the proposed legislation would require DSLBD to develop the following tools and resources for CBEs:

- A catalog of on-line survival and growth tools and other resources that CBEs can access through the internet or other organizations;
- A formal listing of financing options for business enterprises access; and
- Services that help workers, who become unemployed due to economic fluctuations, begin new businesses.

Furthermore, the proposed legislation would require DSLBD to establish memoranda of understanding (MOUs) with third party vendors to provide:

- Expert consulting and education to assist CBEs at-risk of failure, including CBEs that are considering filing for bankruptcy; and
- One-on-one counseling with potential borrowers to improve financial presentations to lenders.

Establishment of the Volunteer Corp of Executives and Entrepreneurs:

The proposed legislation would establish the Volunteer Corp of Executives and Entrepreneurs (Volunteer Corps) to provide mentoring, education, consulting, and networking services to CBEs within DSLBD. The Volunteer Corps would consist of individuals with at least 10 years of experience in the industry, and the individuals serving within the Volunteer Corps would be required to serve without compensation for their services. The Volunteer Corps would be allowed to solicit contributions from the private sector to be used to carry out its functions under the legislation.

Under the proposed legislation, the Director of DSLBD would be required to ensure that the Volunteer Corps carry out the following activities:

- Carry out a plan to increase the proportion of persons within the CBEs who are from socially and economically disadvantaged backgrounds;

- Establish benchmarks<sup>2</sup> for use in evaluating the performance of its activities and the performance of the individuals serving in the Volunteer Corps;
- Ensure that the Volunteer Corps provide one-on-one advice to CBEs; and
- Implement a networking program through the Volunteer Corps, which provides CBEs with the opportunity to make business contacts in their industry.

The proposed legislation would also require that the Council receive an annual report on the implementation of the Volunteer Corps establishment and activities.

#### Management and Direction:

Under the proposed legislation, DSLBD would be required to do the following:

- Beginning with fiscal year 2011, develop an annual job creation plan<sup>3</sup> for using District small business development resources as a catalyst for job creation, and submit the plan to the Council within 45 days of October 1st;
- Promulgate rules, after notice and opportunity for comment, to develop and implement a consistent data collection process to cover all small business development programs in the District;
- Establish a catalog of providers of small business development services and make such catalog available through DSLBD's web site;
- Beginning with fiscal year 2011, submit to the Council, within 45 days of October 1<sup>st</sup>, an annual report, in consultation with other departments and agencies, on opportunities to foster coordination, limit duplication, and improve program delivery for small business development programs; and
- Designate a staff member as a community specialist to work with local small development service providers to increase coordination with Federal agencies. Additionally, the Director of DSLBD is required to establish benchmarks for measuring the performance of the community specialist.

#### Procurement Training and Assistance:

The proposed legislation would also require DSLBD to carry out the following procurement training and assistance activities:

- Identify contracts that are suitable for CBEs;
- Assist CBEs through informational presentations and the dissemination of information to identify and prepare for business opportunities made available under the American Recovery and Reinvestment Act of 2009; and

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<sup>2</sup> The benchmarks are required to include the following:

- (a) The demographic characteristics and the geographic characteristics of persons within the CBEs assisted by the Volunteer Corps;
- (b) The hours spent mentoring by individuals within the Volunteer Corps;
- (c) The performance evaluations of the persons or the CBEs assisted by the Volunteer Corps.

<sup>3</sup> The plan would be required to include DSLBD's strategy for drawing on existing programs and other available resources. To evaluate the success of DSLBD's actions regarding these efforts, the Director of DSLBD would be required to identify, in consultation with the appropriate personnel from small business development programs, the performance measures and criteria, to include job creation, retention, and retraining goals.

- Provide technical assistance regarding the District and Federal procurement processes, including assisting CBEs to comply with local and federal regulations and bonding requirements.

The proposed legislation would also make amendments to the Department of Small and Local Business Development Amendment Act of 2009<sup>4</sup> to:

- Retain D.C. Official Code § 2-218.63 paragraphs (4), (5), and (6) of subsection (b), and to repeal the previously proposed addition of subsections (d-1); and
- Clarify the agency reporting requirements cited by the D.C. Official Code § 2-218.53.

### **Financial Plan Impact**

Funds are sufficient in the FY 2010 through FY 2013 budget and financial plan to implement the proposed legislation. The provisions of the proposed legislation can be implemented within DSLBD's existing budget, and do not have an impact on the District's budget and financial plan.

At present, DSLBD provides many of the CBE services required by the proposed legislation. Upon discussions with the agency, the Office of the Chief Financial Officer has determined that the requirements of this legislation, although many, can be achieved by reorganizing these services and the associated tasks. These changes can be implemented with the agency's existing resources.

Two areas that would require additional resources are (1) providing individual counseling, particularly for one-on-one counseling with potential borrowers to improve the quality of financial presentations to lenders, and (2) developing business advisory capacity to provide expert consulting and education to assist small businesses at risk of failure. The proposed legislation, in its revised form, requires DSLBD to collaborate with third party vendors to provide these services. These could be accomplished so long as such collaboration does not impose additional costs to DSLBD or their costs could be absorbed by DSLBD's resources.

The agency is planning to make an arrangement with DC Minority Business Enterprise Center (Enterprise Center), which could provide these services free of charge. DSLBD and the Enterprise Center are undertaking MOU discussions at present to provide one-on-one counseling services and to develop business advisory consulting at no cost to the agency.

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<sup>4</sup> Bill 18-332, Department of Small and Local Business Development Amendment Act of 2009, proposes changes to the D.C. Official Code § 2-218.63(b) so that paragraphs (1), (2), and (3) are amended and reorganized, and paragraphs (4), (5), and (6) are repealed. Furthermore, a new subsection (d-1) is added. The instant legislation nullifies the proposed repeal of the D.C. Official Code § 2-218.63 (b) paragraphs (4), (5), and (6), and repeals the subsection (d-1).